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A reappraisal of accounting changes in Dutch local government

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Abstract

Municipalities and provinces in the Netherlands, denoted here as local government, have introduced many major accounting changes and changes in other management control aspects since 1985. However, various change initiatives and new instruments were dropped after a short while, were superseded by new reforms, or only used to a limited extent. Interviews with 23 politicians and professional managers in local government made clear that they often were critical about the reasons for and the effects of the changes. For example, fads, a desire to 'look modern' and mimicry sometimes played a part in the introduction of the changes. Previous academic research suggests that in several cases the high ambitions of New Public Management have not been realized. However, this explorative paper does not primarily discuss the gap between expected and realized management changes. Instead, it focuses on the actual effects resulting from the accounting changes in the perception of the persons interviewed. The institutionalist approach that is used in this paper focuses on changes in rules, routines and institutions. The institutionalist approach of the accounting changes in Dutch local government suggests that, seen over the longer run, gradually some effects may have been realized that have considerably changed their culture and increased their citizen and result-orientedness. Further, the explorative paper indicates that an institutionalist perspective draws attention to factors and developments that might not be noticed when a more functional and short-term perspective is chosen.

Key words: local government, accounting change, New Public Management, institutionalism, field research

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A reappraisal of accounting changes in Dutch local government

1. Introduction

Since about 1985, Dutch municipalities and provinces, hereafter referred to as local government, have seen a succession of changes in various aspects of their management control. These 'management changes' relate to such aspects as organizational structure, financial and management accounting, and other aspects of financial management, human resources management, strategy, and quality management. For example, many local government organizations decentralized their organizational structures, privatized activities, strengthened their IT, and introduced output and outcome-oriented planning and control, customer orientedness, quality models and multidimensional performance management, and competence management, or strengthened the role of such instruments. All these reforms can be regarded as being related to the introduction of New Public Management (NPM). This paper focuses on changes that were made to management accounting systems in Dutch local government. In addition, it examines other management changes in the organizations concerned.

The government organizations that initiated reforms probably consider some of the changes to be a success. In other cases, reforms were dropped after a while, often tacitly, for example because they were superseded by new developments or were harder to introduce or use than was originally expected. Several authors are critical of the effects of NPM changes and especially output and outcome-oriented accounting changes in the Netherlands, including performance measurement. And not without reason, because in several cases high ambitions have not been realized (see, for example, van Helden, 1998; Bordewijk and Klaassen, 2000; van Helden and Johnson, 2002; ter Bogt, 2004). However, this paper does not primarily discuss gaps between expected and realized management changes; i.e., the question of whether they are a success or a failure. Instead, it focuses on the actual effects in government organizations as a result of introducing accounting changes. Scapens (1994, p. 303) indicates that too much emphasis on an 'idealized' picture might block one's view of aspects of organizations where relevant changes did take place. He suggests that, to get a picture of the effects that certain changes have had in practice, it might be particularly important to obtain knowledge of the working methods that have changed. In line with this, after a brief presentation of the reasons for the changes, the paper will focus on the change processes and the effects of the changes that were observed by 23 politicians and professional managers from various organizations who were interviewed. With respect to these effects, the focus is also on the question whether they are somehow 'NPM-like'.

NPM can be regarded as a functionalist approach, in that one of the most important objectives of the changes it proposes is to increase economic efficiency and effectiveness in public sector organizations. However, to understand accounting changes in local government organizations and their effects, it could be fruitful to try to study them with an open mind, not overly restricted by a narrow theoretical point of departure (cf. Hopwood and Miller, 1994). This paper mainly examines accounting changes from an institutionalist point of view, which makes it possible to focus on various possible reasons for introducing accounting changes, on change processes, and on the effects of the changes. An institutional framework combines economic, social, political, and cultural dimensions in the analysis of organizations and change processes (Scapens, 1994, p. 303).

The paper presents the interviewees' experiences with changes over a period of fifteen to twenty years, indicating whether, in the interviewees' opinion, some of the goals of NPM have been achieved and its spirit implemented through the accounting changes. Subsequently the paper examines any possible reasons for a reassessment of, or further research into, the results of NPM-related accounting changes.

After this introduction, the paper is structured as follows. The next section will briefly introduce NPM and some major accounting changes and other management changes in Dutch local government organizations. Section 3 reviews institutionalist literature and literature on accounting change, and presents the research question. Section 4 discusses the research design. Section 5 will present the reasons for accounting changes as perceived by the interviewees. In section 6, some of the interviewees' critical remarks about accounting and other management changes will be discussed. Section 7 includes an overview of interviewees' perceptions of the effects of several major accounting changes in Dutch local government organizations. After an analysis and a discussion of the research findings in section 8, the paper ends with a summary and some conclusions in section 9.

2. NPM in Dutch local government since about 1985

Until the mid 1980s, the financial management of Dutch local government, like that of local government in many other countries, was traditionally highly input and process-oriented, i.e. organizations were controlled by means of financial budgets and procedures. The adoption of output-oriented planning and control and private sector management approaches was at the core of innovations in local government in the 1980s and 1990s. These changes were brought about by budgetary deficits in the 1980s, criticism in society of the tasks and functioning of government, as well as dissatisfaction within government organizations with centralized organizational structures and input-oriented forms of control (ter Bogt and van Helden, 2005, pp. 248, 255-256).

In 1979, a change in the Governments Accounts Act obliged the Dutch provinces to introduce accrual accounting from 1982. Furthermore, municipalities have had to apply accrual accounting rules since 1985. In the preceding years, the organizations had already started to gradually implement changes to the traditional cash-budgeting system.

Spurred on by changes in, for example, public and political appreciation of government tasks and budget cuts in the 1990s, a lot of local government organizations introduced output-oriented planning and control documents, such as budgets and related documents, e.g. interim and annual reports. These documents were supposed to contain all kinds of information on government performance.¹ Another initiative that became very popular among municipalities and provinces was the Public Management Initiative (PMI; in Dutch: BBI), which was started in 1987 with very high expectations (van Helden, 1998).

PMI can be regarded as an NPM-like project, as the most important changes introduced through PMI closely resemble those initiated through NPM (cf. Hood, 1995). PMI formally aimed to make political and administrative decision-making more transparent and effective, and to bridge the observed gap between authorities and citizens (Houwaart, 1995, pp. 15, 45). In actual practice, PMI's main objectives were to rationalize day-to-day management, to make government organizations more 'businesslike', and to increase efficiency and effectiveness. The exact characteristics of NPM vary from country to country and have developed over the course of time (Osborne and McLaughlin, 2002, pp. 10-11; Pollitt and Bouckaert, 2005, pp. 74-96; Humphrey et al., 2005). However, it

seems that NPM, just like PMI, strongly focuses on rational management and economic efficiency and effectiveness of public sector organizations.

With PMI, most municipalities and provinces introduced decentralized organizational structures. PMI's focus was particularly on the development of output-oriented planning and control, which involves the use of output budgets, interim reports and annual accounts, all containing financial and non-financial performance information. This was intended to improve the organizations' insight into their performances and to increase efficiency, transparency and public accountability. Further, with PMI, private sector management techniques were introduced, activities were privatized, and instruments such as job appraisal interviews were introduced, although sometimes hesitantly (ter Bogt, 2004, pp. 221, 244). Decentralized organizational structures, initially organized by policy fields, were introduced because, both externally and internally, there was growing dissatisfaction with the traditionally centralized, inflexible, bureaucratic, and not really service-oriented organizations. These organizations had experienced a rapid increase in tasks, size, and budgets since the late 1950s. Since the mid 1990s further reforms have been introduced; for example, reforms relating to organizational structures, financial management, strategy development, human resources management, the role of IT, and quality management, including multi-dimensional performance measurement (see also Kickert, 2000, pp. 113-121; Martens et al., 2002). In addition, many organizations have started to take part in benchmarking projects.

Since 2004, after the introduction of the so-called dual system in local government, the new Governments Accounts Act has required the Dutch provinces and municipalities to make a distinction between policy-based outcome budgets (i.e. programme budgets) and output budgets (i.e. product budgets).² In every municipality, the municipal council determines the outcome budget, which is a broad outline of future activities, the resources involved, and the outcomes to be achieved. The Municipal Executive exercises control by means of output budgets, which are more detailed, in that they are supposed to list the products to be delivered and the resources that can be used (see also Bac, 2003, pp. 661-665). Similar changes have taken place in the provinces. The municipalities and provinces are free to decide what programmes and outputs they wish to define, what information they will include in output and outcome budgets, and what the layout will be.

Besides these accounting changes, several local government organizations have taken initiatives to introduce various other, more technical, changes in their financial management. Quite often, for example, decentralized organizational units have started to present their own budgets and annual accounts, although a consolidated budget and annual accounts are prepared for the whole organization. Further, professional managers of organizational units are often given considerably more freedom to make substitutions between budgets. Several organizations have also started to pay more attention to, for example, internal control, financial or otherwise, and have introduced new financial administrative systems that make it easier to consolidate financial information from decentralized units. Apart from this, some changes were introduced under the Governments Accounts Act, which applies to all local government organizations. These changes include an obligation to allocate indirect costs to functional categories within budgets (i.e. to policy areas), rules on risk disclosure in budgets, and a clearer distinction between reserves and provisions (see, for example, Bac, 2002).³

The major accounting changes mentioned above are the focus of the empirical research presented later in this paper (cf. Bac, 2003, pp. 597-599). In particular, the significance of accrual accounting in local government will be discussed, as well as output

budgets/PMI, outcome budgets, and performance information and benchmarking. The politicians and professional managers that were interviewed during the empirical research strongly focused on these accounting changes. In general, previous research also seems to consider them as the more ambitious accounting changes. This research often was quite critical of the results realized through these changes (see, for example, van Helden, 2000; Bordewijk and Klaassen, 2000; Aardema, 2002; Bac, 2002, 2003; van Helden and Jansen, 2003; ter Bogt, 2004; ter Bogt and van Helden, 2005; Mol, 2006). However, most of the previous research focused on relatively short periods or the effects of the changes in a rather 'technical' sense. It could be interesting to see whether, seen over the long run, people in practice perhaps perceived some other effects of the changes.

3. Institutions and accounting change: literature review and the research question

The introduction of NPM, its Dutch counterpart PMI, and related NPM-like management changes could be regarded as changes to the management control systems of public sector organizations. The management control system of an organization includes all the resources that the management has at its disposal in order to control and manage the organization while striving to ensure its continuity. The organization's performance and effectiveness are influenced by these various controls, including its accounting systems, as well as other internal and external factors (Otley, 1980, pp. 421-422; Birnberg, 1998).

NPM and PMI literature seem to mention primarily functionalist reasons for control changes in government organizations. A functionalist approach to organizations presupposes that an organization, and the individuals within it, rationally choose means to achieve their objectives. That is, a functionalist and rational approach presupposes that, in order to ensure the continuity of an organization, its choices and decisions are based on considerations such as improvements in economic efficiency and effectiveness (cf. Covalleski et al., 1996, pp. 4-7).⁴ However, several authors have suggested that, in practice, not only economic factors, but also other factors, may play a part in the introduction of control changes in both profit and non-profit organizations (see, for example, Meyer and Rowan, 1977; Ansari and Euske, 1987; Brunsson, 1989; Greenwood and Hinings, 1996).

This section will first explore literature in the field of institutional theory, to introduce some basic ideas of institutionalism, and then relate institutional theory to accounting change. The aim of this exploration is to find factors in institutional theory that could explain why Dutch local government organizations have changed their control systems so often. In this way, factors mentioned in theory can give guidance to the empirical field research.

An exploration of institutional theory

NPM literature often suggests that the most important explanation for changing the control of government organizations is the desire to improve performances, i.e. to increase economic efficiency and effectiveness. However, as previously indicated, not all authors are convinced that organizational changes are mainly intended to increase economic efficiency and effectiveness. They suggest that factors such as expectations and values both inside and outside the organizations and rules in society can also play a part in a decision to introduce management changes. Institutional theory offers the opportunity to explore such factors when organizations are researched. This section will present some

basic ideas of old institutional economics (and its more modern versions) and of sociological institutionalism, which together will hereafter be simply referred to as institutional theory.

Institutional theory emphasises the influence that structures in society and the social and cultural aspects of an organization's environment – such as the rules, knowledge, power, standards, and habits in a particular group or society – and their development have on an organization – and vice versa. Compared to functional organization theories, institutional theory broadens the range of aspects of an organization and its environment which have to be considered (Scott, 1995, p. xiv; see also Oliver, 1991, pp. 146-151; Covalleski et al., 1996, pp. 9-12; Greenwood and Hinings, 1996, p. 1025; Chenhall, 2003, p. 159).

Old institutional economic theorists and more recent authors informed by them focus on organizational forms and their characteristics, especially efficiency, and also on the influence of institutions, such as social and cultural aspects (Veblen, 1898, pp. 390-393; Commons, 1931, pp. 649-650, 654-657; Bush, 1987, pp. 1079-1080; Powell, 1991, Van de Ven, 1993, pp. 149-151; Covalleski et al., 1995, pp. 26-30). In general, authors drawing on the ideas of old institutional economics indicate that changes in society and organizations might be induced by 'technical/economic' as well as 'institutional' factors. That is, they suggest that economic efficiency as well as social and cultural issues might be important for enhancing the continuity of an organization and for inducing change processes. Greenwood and Hinings (1996, pp. 1025, 1034-1038), in trying to explain organizational change, indicate that 'organizational behaviors are responses not solely to market pressures, but also to institutional pressures'. Besides, institutional theory not only focuses on organizations, but also on the individuals within organizations. That is, institutional theory underlines the role of economic and social/cultural issues, individuals and organizations, and individuals and organizations and their environment, as well as their interconnections (cf. Granovetter, 1985, pp. 506-507). In fact, it suggests that it might often be difficult to separate clearly the economic and social concerns of an individual and an organization. Since some decades, institutional authors seem to be specifically interested in the behavioural aspects of organizations and individuals, probably also inspired by the work of such authors as Simon (1959) and Cyert and March (1963). All in all, institutional theory seems to be very broad nowadays. It focuses on individuals within organizations, their habits, and intended and unintended changes in their behaviour, as well as on organizations and the external factors which influence them.

In line with old institutional economics, Scapens (1994, p. 309) argues that 'an emphasis on rule-based behaviour ... does not deny that people have reasons for doing things. Although individual actors may not consistently pursue rational choices, their activities are guided by their intentions ...'.⁵ This suggests that people could introduce changes in an organization with a view to raising profits and contributing to its continuity (Scapens, 1994, pp. 307, 315; see also Nelson and Winter, 1982, p. 15). In a sense, Scapens indicates that a striving for satisfactory economic results – probably to be regarded as a moderate form of economic rationality – could play a part in a decision to change the management controls of an organization.

Authors in the field of sociological institutionalism generally do not pay much attention to functional reasons for management reforms or to economic efficiency and effectiveness, i.e. economic rationality. The sociological institutional literature is concerned with, for example, the question of mimicry (i.e. why do organizations follow trends and fads and mimic changes of other organizations in their sector) and why there are

fixed templates for organizational change, and thus 'isomorphic' organizations (DiMaggio and Powell, 1983, pp. 149-150). Further, authors in this field suggest that changes are sometimes only introduced to formally satisfy external rules or expectations; i.e. for reasons of 'external legitimation' (see e.g. Meyer and Rowan, 1977, pp. 352, 356-359; Ansari and Euske, 1987, pp. 557-564; Greenwood and Hinings, 1996, pp. 1025-1026). By the formal adoption of changes in external rules, or by conforming to much-used or 'elsewhere successful' organizational forms and working methods ('myths'), an organization may seek to avoid critical attention and questions from its social environment and thereby achieve external legitimacy (cf. Oliver, 1991, pp. 150-153). In other words, it is conceivable that such an organization acts in a 'socially rational' and 'socially efficient' way (see ter Bogt, 2003, pp. 160-163).⁶

Institutionalism, PMI/NPM and evolutionary accounting change

PMI/NPM could be a response of Dutch local government organizations to internal factors like budgetary stress, i.e. economic factors, and external changes in expectations and formal rules (i.e. in external institutions). Internal dissatisfaction with traditional, hierarchical, input-oriented working methods may also have played a part. Some of these reasons were mentioned, e.g. in policy notes, when PMI/NPM was introduced in Dutch local government (Houwaart, 1995, pp. 15, 45). Institutionalism, too, might suggest that financial problems, changes in formal rules, and expectations in the organizations' environment may have induced management changes like the introduction of new accounting systems. The changes may have been intended not only to make organizations more businesslike and to increase economic efficiency and effectiveness, but also to show sensitivity – well-intentioned or superficial – to new external and internal demands, or to formally fulfil the new requirements and expectations. Besides, institutionalism draws attention to the interrelatedness of the various elements. For example, once a new accounting system is introduced, this might effect not only an organization's efficiency, but the internal and external expectations and the organizational and individual habits as well.

Some authors use the ideas of institutionalists as a basis for explaining management accounting change. For example, Burns and Scapens (2000) developed a framework for management accounting change which draws on old institutional economics (see also Scapens, 2006, pp. 14-18). Burns and Scapens define 'rules', 'routines', and 'institutions' as basic concepts to explain management accounting change. In their framework, 'rules are the formalized statement of procedures, whereas routines are the procedures actually in use' (Burns and Scapens, 2000, p. 7). As Burns and Scapens indicate, rules in an accounting context are part of a formal accounting system laid down in manuals, whilst routines are habits and accounting practices that are actually in use. Rules are usually not changed continuously, only at certain moments. However, routines may change gradually as a result of daily changes in working methods. A change in routines may result from, for example, experiences with existing working methods, a change in rules, or social pressures to change, which could result from internal or external dissatisfaction with certain practices and performances, newly developing values in society, increasing relative power of a certain group, or other changes in internal or external institutions (cf. Oliver, 1992, pp. 566-569; Greenwood and Hinings, 1996, pp. 1024, 1035). Although routines are probably influenced by rules, routines often differ from formal rules in certain respects. A formal, 'ceremonial' change in rules does not necessarily mean that the ways in which managers,

and other employees, actually think and act change in the same way. For example, it might be some time before any real changes in managers' thinking and acting can be observed.

A formal change of rules can be relatively easily implemented. The management of an organization can, for example, decide to introduce a new system of performance evaluation. However, even when the formal rules and procedures are well-defined, it could be less easy for the management to clearly establish the actual ways of using of the new performance evaluation system, i.e. the routines involved. Changes in routines can be intended or unintended. The extent to which actual routines change depends on the influence of other routines, rules, and institutions. Burns and Scapens (2000, pp. 5-6) define an institution as 'a way of thought or action of some prevalence and permanence, which is embedded in the habits of a group or the customs of people'. Institutions are 'settled ways of thinking common to a community' (Burns, 2000, p. 571).

In Burns and Scapens' opinion, institutions shape the everyday actions and working procedures of individuals in organizations. Conversely, institutions are the outcome of daily actions and working methods, i.e. routines and institutions probably influence each other continuously (Burns and Scapens, 2000, p. 8). Institutions may produce stability in organizations, or tendencies for isomorphism in a certain group of organizations, but they are not invariable. The wider institutions in society make up the external institutional environment of an organization, whilst specific internal institutions form the internal institutional environment (which can be closely linked to the external environment in various respects). The internal institutional environment comprises the practices, i.e. routines, which have become taken-for-granted over time, which suggests that the ways in which employees behave are constructed over a period of time (Scapens, 2006, p. 17). Organizational culture is an important element of the internal institutions of an organization, as it may heavily influence the beliefs, values, and practices of its participants.

As routines are embedded in the 'history' of an organization and are shaped by relatively stable institutions, it could be expected that routines generally change only in a gradual, evolutionary way. However, when an organization or its environment experience a sudden shock – for example in the case of a government organization that is going to be privatized – certain routines can go through major changes in a short period of time, perhaps because the employees understand that the continuity of the organization may be at stake (Scapens, 2006, pp. 17-20).

Institutionalism and the framework of Burns and Scapens could perhaps serve as a basis for analysing and understanding accounting change processes after the introduction of PMI/NPM in Dutch local government organizations.⁷ That is, to more completely understand accounting change processes in organizations and their effects, it could be interesting to try to offer an analysis of accounting changes in Dutch local government that is based on institutional theory. Such an analysis includes economic as well as social and institutional reasons for these changes. This analysis could also indicate whether to some extent the effects of the changes are in line with the ideas of NPM advocates.

It seems that, until now, empirical research in the public sector has rarely focused simultaneously on all these reasons and the gradual changes that may take place in the practices and functioning of these organizations (cf. ter Bogt, 2006, 2007). That's why it could be interesting to explore the possible contribution of institutionalism to understanding accounting change and its effects in the public sector in a broad sense. Based on the discussion of institutional theory and accounting change, the following research question is formulated:

What economic and other factors have influenced the introduction of accounting changes in Dutch local government and what effects, if any, have resulted from major changes being implemented in the formal accounting systems of the organizations involved? Seen over the long run, are these effects mainly symbolic, or do they actually influence the way the organizations and individuals in these organization function, including their values and habits, and have they contributed to a more 'businesslike' culture?

4. Research method

Recent changes in the control of Dutch local government have been discussed in section 2, where it is suggested that several authors are of the opinion that the quality, effects, and success of these changes are doubtful; i.e. they are probably not nearly so good as was expected or hoped for at the start of the PMI-initiative. This raises the question of why many local government organizations have introduced major changes in the control of their organization so frequently. Are these organizations just interested in new management fads? Or do they continue to introduce control changes because they are striving for an increase in economic efficiency and effectiveness, and because they hope or believe that the changes, old and new, will be effective? Is it possible that, although previous research concludes that the high ambitions have not been realized, still some useful effects have been achieved in the organizations involved?

To find tentative answers to these questions, it was decided to conduct descriptive and exploratory research. Several documents on changes in accounting and other control aspects in local government organizations were studied. Between September 2004 and April 2005, semi-structured interviews were held with 23 politicians and professional managers in twelve municipalities and two provinces (see Appendix A and Appendix B).⁸ During one part of each interview, questions were asked about the reasons for the management reforms and the effects of the accounting changes that were introduced.⁹ This paper is largely based on the questions which asked the interviewees to look back from a point in time and to discuss their experiences and perceptions of the changes which had taken place.

The research question formulated in section 3 served as a guideline for the interviews (cf. Eisenhardt, 1989, p. 536). The aim of the interviews and studying the additional written information was to gain an insight into factors and effects that, according to participants in the field, were relevant with respect to accounting change in their organizations and sector. The research primarily focused on the organizational field of local government organizations, not on individual organizations. Intending to collect all kinds of possibly relevant information on the sector concerned, the researcher asked the interviewees to express themselves on their own experiences.

This research intends to obtain general information on the interviewees' perceptions of changes, their longer term experiences, and relevant contextual factors. A contextual approach implies that the focus of research is, for example, not only on the strictly 'technical' aspects of new accounting techniques, but also on the reasons for the introduction, on the impact, and on the internal and external environment of these techniques (Broadbent and Guthrie, 1992, pp. 6-11, 16). When the evolution of accounting in a specific sector is studied through time, a processual approach is followed (Burns, 2000, p. 568; see also Pettigrew, 1997). The empirical research was inspired by the ideas of a contextual and process approach, but in the

present stage the findings are based on 'one-off' interviews. It might be necessary to conduct further longitudinal and in-depth case research, or surveys, in order to fully examine the process of, the reasons for, and the effects of accounting changes in local government organizations. The descriptive and exploratory research that was conducted in these organizations probably did not cover all relevant stakeholders and issues, and did not yield statistical and generalizable evidence. However, this research might still generate ideas to focus on in further research (see also Lukka and Kasanen, 1995, pp. 75-86; Scapens, 2004, p. 260; Greenwood and Hinings, 1996, p. 1045; Berry and Otley, 2004, p. 249).

The interviewees were selected in consultation with two contact persons, a professional manager and a politician, both of whom had many contacts who might be interesting interviewees, in the sense that they might provide a wide range of perceptions of management changes. Since, conceivably, people's perception of the effects of certain changes is influenced by their position, the interviewees were primarily selected on the basis of their activities in order to obtain a varied picture of existing opinions as well as an impression of possible differences between subgroups of interviewees (i.e. politicians/civil servants and financial/non-financial subgroups).¹⁰ It was hoped that the exploratory field research would yield a wide range of opinions on management changes in the field. At this stage of the research, it was more important to collect interesting insights and opinions that could form a basis for further research than to use a representative sample of politicians and professional managers. In this way, the paper could contribute to developing a future research agenda.

The semi-structured interviews ranged in length from one hour to over two hours. During the interviews, the interviewees were also asked to extensively discuss factors that induced management reforms and to express their ideas about possible future management reforms. The findings with respect to these subjects were presented in a comprehensive report in Dutch and in another paper (ter Bogt, 2005, 2007). A detailed written report was made of each interview and sent to the interviewee for comment. Any such comments were then incorporated into the final reports on the interviews, which are the basis for this paper.

5. Perceptions of reasons for accounting changes

In the interviews, many politicians and professional managers said that it was difficult for them to strictly separate changes in the management accounting system of their organization from other 'NPM-like' management reforms, such as the introduction of new organizational structures, quality management, and increased attention to human resources management. Various interviewees were of the opinion that most of these changes were actually interconnected and were part of a lengthy reform process in local government organizations.

Asked about the reasons for introducing the changes and their intended effects, almost all of the interviewees thought that an important aim of the changes was to improve economic efficiency and effectiveness (see also ter Bogt, 2005, 2007).¹¹ Budgets cuts in the 1980s, the first half of the 1990s, and in the 2002-2005 period led to the introduction of instruments which were intended to increase efficiency and effectiveness.

The interviewees also indicated that, besides economic rationality, social/political rationality played a part in the introduction of changes; i.e. a desire to attract votes and political support in the future (see also ter Bogt, 2003). In their opinion, the introduction of the changes was also a consequence of criticisms in society, and in politics, of the performance of the government sector. Probably because several voters had lost interest in

politics and government, or were disappointed in government performance, there was a sharp fall in turnout rates of municipal and provincial elections in the early 1990s. This may have accelerated the introduction of changes, especially the introduction of decentralization and output budgets and related planning and control documents. Voters' dissatisfaction also probably led to the rise of the Fortuyn movement at the national level and the 'Livable' parties (in Dutch: Leefbaar) at a local level in 2001-2002. They could be regarded as 'protest' or 'populist' parties which attracted considerable numbers of voters in several municipalities and provinces. The 'sudden' rise of these protest parties showed that political volatility had increased considerably, which added to a feeling of uncertainty amongst politicians (and professional managers).¹²

However, there may also have been other 'social' reasons for changes, including changes that were mainly ceremonial or symbolic in nature. Over two thirds of the interviewees indicated that, to a certain extent, the introduction of the changes was influenced by such factors as fads and a tendency to follow new ideas, fear of being regarded as a 'laggard' by colleagues in other organizations or the press, advice from external consultants, and lessons from experiences elsewhere.

6. Some critical remarks about the effects of accounting change and other management reforms

The interviewees generally found it difficult to clearly indicate the combined effect of various management changes that were introduced. It was even more difficult for them to separate the effects of new accounting instruments from those of other management reforms that were introduced in their organization. As interviewee E, a financial manager, observed:

Together with changes in planning and control, [other] changes were taking place ... They were all interconnected; it seemed like a flood, really. They were so tied together and were introduced quite automatically ... so it is hard to single out one aspect and tell what happened exactly. ... But, looking back, you can see of course that, all things considered, things are vastly different compared to [fifteen years ago].

For the most part, the effects of the various changes were not measured. The interviewees also indicated that their organization generally did not make a great effort to measure efficiency and effectiveness. In the opinion of some of the interviewees, certain management changes had even had a negative effect on the functioning of their organization. Although they were critical of the management changes, and admitted that there was a lack of 'hard evidence' of their effects, almost all the persons interviewed said, however, their perception the overall effects of the various management changes was slightly positive. However, the effects that were actually achieved were probably not always the same as the intended effects.

Interviewees were also rather critical of the effects of changes in the planning and control of their organizations. Several interviewees were of the opinion that for many years the focus of NPM/PMI had been too much on such 'technical' issues as organizational structures and accounting instruments.

Although many interviewees did feel that there was a need for their organizations to focus on outputs and performances, they were not very positive about the effects of

some of the major accounting changes that had been introduced. In general, they had a low regard for the quality and value of the information in the output budgets and the performance indicators included in planning and control and other documents. They indicated, for example, that they themselves and other people in their organization hardly used the output information in planning and control documents. All in all, the ‘technical’ aspect of PMI, i.e. the introduction of output budgets, was not considered to be a success. In addition, several interviewees were also critical of the information in the outcome budgets that had recently been introduced. Interviewee A, an alderman, said for example:

Self-management, ... product and programme budgets; we have all used them or we are still using them. But it is by no means certain that they have made any difference.

7. Interviewees’ perceptions of the effects of accounting changes

The interviewees expressed themselves to be critical of the effects of accounting changes and other management changes. However, they did think that these changes had had some effect, positive or otherwise, on the functioning of their organizations, although the effects might become visible only gradually. This section will present some research findings with respect to the effects of some of the major accounting changes that were introduced in Dutch local government, i.e. accrual accounting, output budgets/PMI, outcome budgets, and performance information and benchmarking.

Accrual accounting

The introduction of accrual accounting in the early 1980s could have meant that civil servants needed some additional training to apply the system. However, since the 1950s the traditional cash accounting system had gradually been changing into a ‘modified cash accounting system’ which enabled the construction of a balance sheet. Further, the decision to report amounts payable and receivable at the end of the year made it possible to calculate accruals expenditure and revenue of a policy area (Bac, 2002, p. 267).

Strictly speaking, the introduction of accrual accounting amounted to a consolidation of existing practices that was largely uncontroversial and raised hardly any serious problems, especially because in many cases the introduction of accrual accounting was initially regarded as a ‘technical’ change. The organizations involved continued to focus on financial information rather than outputs and outcomes, which meant that the accountability process in these organizations was not fundamentally changed (see also ter Bogt and van Helden, 2005, pp. 265-266; Mol, 2006, p. 36).

As accrual accounting was introduced more than twenty years ago, many interviewees said that they found it difficult to clearly indicate the specific effects of its introduction. However, some interviewees were able to indicate some effects of the introduction of accrual accounting, which in their view contributed positively to the economic basis of decision-making and the functioning of their organizations.

Interviewee F, a very experienced financial manager, explained clearly, for example, why he had eventually formed a positive opinion on the effects of accrual accounting. Although he, too, observed that the visible effects of the formal introduction of accrual accounting probably were not very great, he added that its introduction also implied that a more businesslike approach was brought to the fore, initially mainly in a

financial sense, but gradually also in the general management of the organizations involved and in their ways of thinking.

Interviewee F indicated that it would, for example, not have been possible to prepare output budgets containing information on unit costs of activities and outputs, if accrual accounting had not been introduced. Besides accrual accounting, his municipality had also introduced a time recording system in order to get a clearer picture of budgeted and actual costs. Calculating unit costs was probably not considered to be a very prominent and effective management change. However, as interviewee F suggested, the fact that time is recorded and costs are calculated shows that civil servants and politicians in his organization gradually started to think in terms of products and unit costs. In his opinion, this indicated a change in organizational culture, that also contributed to the inclusion of such cost perspectives in policy discussions.

Output budgets and the Public Management Initiative

Due to the Public Management Initiative, in which municipalities and provinces could participate of their own volition, a large majority of Dutch municipalities introduced output budgets between the late 1980s and the year 2000. As was observed earlier, previous research has shown that these outputs budgets, and the performance information included therein, as well as the related interim and annual reports, were often evaluated negatively. The 23 interviews with politicians and professional managers could also lead one to think that their regard for PMI and the contents and quality of output budgets and related documents was rather low and that these documents were not used very much. PMI and output budgets involved a lot of paperwork, which was not helpful. A lot of interviewees shared interviewee M's opinion on output budgets:

Initially, the PMI ideas looked attractive ... but on closer consideration it seemed that it would be quite hard to implement them. It was probably a good idea to strive for a pragmatic, businesslike approach, but it turned out that it was not that simple to achieve in a municipality. And performance measurement, an important element of PMI, turned out to be difficult.

Interviewee M and several other interviewees, made similar critical observations about the outcome budgets that were introduced between 2000 – 2002 and about performance measurement in general. However, the critical attitude of most respondents towards the contents and usefulness of output budgets did not mean that they were all of the opinion that output budgets served no purpose whatsoever. Some interviewees indicated, for example, that PMI had revived their interest in planning and control, even though it had contributed only marginally to increasing their output-orientedness. PMI had a positive effect on the transparency of the costs and cost structure of departments and activities, as well as on the quality of financial budgeting and reporting. As a result, fewer organizations exceeded their budgets or underspent; even if they did, interim reports often had 'warned' them for this so that measures already could be taken. This suggests that PMI contributed to improving the financial management of the organizations involved.

Several interviewees were also of the opinion that the introduction of output budgets made them and their colleagues think more in terms of products and performance. Interviewee C regarded the introduction of output budgets as a "useful contribution to the process of defining tasks and clear responsibility structures, of becoming more professional

and businesslike and making clearer agreements”. Many interviewees agreed that the culture of their organizations was influenced by PMI and output budgets, in that it was changed from being mainly input and process-oriented into being more output-oriented. In addition, some interviewees observed that, in practice, decentralization of organizations often included the introduction of output budgets. In their view, this combination made organizations less hierarchic and inflexible, and resulted in a gradual increase in the task, product and result-orientedness and transparency of decentralized units. In that way, too, the culture of organizations had been changed gradually.

Interviewee N, an alderman, thought that discussions with his professional managers about the contents of interim reports were quite helpful. He thought so, not because of the information in the reports, but because, during these discussions, he was often informed of recent developments concerning the subjects reported. Moreover, he was of the opinion that discussions about interim reports enabled him to make clear to managers and other civil servants what elements were important in a political sense, and why they were important to him. In this way, he was able to focus the attention of professional managers on subjects that were important to him and other politicians.

Some interviewees remarked that preparing output budgets (and outcome budgets) had also affected the work of non-financial employees. Interviewee L observed, for example, that an increasing number of employees had to make use of planning and control information and was involved in producing this information. In her opinion, this was mainly due to the fact that planning and control information was no longer strictly financial in nature, but also ‘content-oriented’. This meant that the production and interpretation of planning and control data could no longer be the exclusive tasks of financial specialists and that content-oriented’ employees had to pay more attention to financial information.

Similar observations were made by interviewee V, a professional manager, who remarked:

The [planning and control] formats are now ... much more aimed at encouraging managers and other employees to actually use the available information for organizational control. ... I now also try to encourage this, for example by asking, when some problem crops up: did it really come like a bolt from the blue or was it to be expected in a way, considering the available information? Now, take this simple example: if extensive maintenance work was carried out on a movable bridge ten years ago and then nothing was spent on further maintenance, how surprising would it be that it broke down and would it be reasonable to present this breakdown as an unexpected incident? ... In this way, people will gradually realize that the plans we draw up and the information we collect can actually be useful for their work, and then you will see that they really use it more often.

To conclude, the findings from the interviews suggest that, on the one hand, the interviewees were rather critical of the contents, quality and usefulness of output budgets and related reports, and the performance information in these documents. On the other hand, the interviews suggest that working methods, employees’ attitudes, and organizational cultures were changing in certain respects. In the opinion of the interviewees, these changes in working methods, attitudes and cultures were probably induced and/or at least encouraged by the introduction of output budgets and performance information.

Outcome budgets

With the introduction of the previously mentioned dual system in 2002/2003, central government obliged all local governments to draw up outcome budgets (and outcome annual reports) in addition to product budgets. Some municipalities and provinces have produced outcome budgets since about 2001. As was indicated earlier, the municipal/provincial council determines the programmes in the outcome budget. The outcome budget and related documents, including interim and annual reports, are supposed to contain information on main lines on the municipal/provincial council's policy framework. This should enable the council to exercise control on main lines over the organization and policy initiatives.

The outcome budget lists a number of programmes, e.g. 10 to 20, but this number can vary according to the desires of a municipality or province (MBZK, 2003, p. 63). Each programme concentrates on a policy area and policy aspects that are of prime importance. A programme is supposed to contain the main goals to be achieved, the activities to be performed, and the resources available to realize them. All municipal or provincial activities and resources are supposed to contribute somehow to the realization of the programmes. Besides outcome budgets, municipalities and provinces have to draw up the output budgets discussed above, in which programmes are specified in more detail; i.e. products are listed. The Executive Committee is responsible for achieving the aims of product budgets, which are supposed to be linked to the outcome budget. The Executive is also accountable to the council for the degree and the way in which the outcome budget is realized.

Although many local government organizations have not yet had much experience with outcome budgets, most interviewees have formed an opinion on their effects and use. A lot of interviewees did not consider the outcome budget a great success in a 'technical' sense. The goals of the programmes mentioned in outcome budgets were often not well or clearly defined, or could not be measured, quantitatively or otherwise. Further, the programmes did not always provide a clear insight into financial matters; for example, performance indicators were incomplete and/or of limited use for controlling the organizations concerned. Several interviewees were of the opinion that it was very difficult to clearly define the goals that were to be achieved through the programmes and to describe their organizations' contribution to achieving these goals.

A few interviewees clearly were of the opinion that it was unrealistic to expect that outcome budgets could really play an important role in steering and evaluating an organization. They regarded outcome budgets as an obligation imposed by central government and thought that their organizations should not invest too much energy in the development of programmes and outcome budgets. Interviewee E indicated, for example, that it was decided to simply combine products from the output budgets into groups according to policy areas and to present this grouped information as programmes. The interviewees also said that it was usually very difficult for councillors to clearly define the main aims of programmes and to indicate how these should be translated into coherent programmes and how they should be evaluated.

All in all, most interviewees were quite critical of outcome budgets, the information in these budgets, and the way they were drawn up and used. However, some of them said that in the course of time they had observed some positive effects of outcome budgets. Interviewee M remarked, for example, that outcome budgets provided clearer policy lines and did actually serve as a guide to political and organizational activities.

Some interviewees indicated that politicians – especially councillors, but members of the Executive Committee too – were always interested in details and probably had to be because the media and society seemed to be increasingly interested in them. However, the interviewees also observed that the introduction of outcome budgets seemed to have made politicians slightly more interested in long-term goals and effects. Interviewee J, an alderman, said:

[The] council [now] tries to indicate goals for a somewhat longer period of time, as well as the effects to be achieved. ... Initially I was not very enthusiastic about the outcome budget at all, but now I do appreciate the resulting stronger focus on policy programmes.

A few interviewees indicated that it had become clear that the preparation of outcome budgets had also effected the way civil servants discuss policy areas, their role in drawing up accounting information, and their use of this information. Interviewee O, a professional manager, said, for example, that outcome budgets had gradually changed the way in which various organizational units contributed to planning and control documents and the information in these documents. He observed:

The question of what effects should be achieved with a certain policy programme will not be answered by financial employees, but by people in other parts of our organization. ... This means that more people in various places in the organization will have to provide information and have to cooperate. Although this was not an intended effect of the outcome budgets, it is a nice side-effect, because in this way more people in our organization will think about our present and future performances and their attitude towards municipal financial resources.

To recap, the interviewees generally held critical opinions on the outcome budget as such and the performance information in this type of budget. However, some of them did indicate that the introduction of the outcome budget meant that the activities of civil servants and politicians, e.g. defining and discussing the content of policy areas, had gradually become more focused. More often than before, specific policy areas were considered in the wider context of a policy programme. In some cases, the number of civil servants involved in thinking about and drawing up the outcome budget increased; i.e., this activity was no longer the exclusive task of financial specialists.

Performance measurement and benchmarking

Performance measurement, NPM/PMI and the introduction of output budgets, as well as the more recent introduction of outcome budgets and benchmarking are all closely related. In fact, performance measurement seems to be the overarching concept that plays an important part in the introduction of all these accounting changes. It will be discussed separately because it is closely connected with the ‘technical’ aspects of accounting and accounting changes, with changes in other aspects of the management of an organization, such as human resources management and organizational culture, and also with the evaluation and control activities of managers.

Most interviewees were disappointed about their recent experiences with quantitative performance measurement in output and outcome budgets and related documents. However, many of them were also of the opinion that it was important to

continue trying to improve performance measurement. They were sometimes quite optimistic about the opportunities provided by recent developments in the field of performance measurement; particularly benchmarking, which can give a picture of 'relative' performances, monitor research amongst citizens, and citizen panels. Further, nowadays performance information is often collected using the Balanced Scorecard or 'quality models' like the popular INK model, which is similar to the international EFQM model.

Almost all interviewees identified problems with the 'proper' quantitative measurement of several aspects of government performance, which certainly would not be completely resolved with the new techniques. However, despite problems with, for example, comparability of information, many interviewees thought that a technique like benchmarking could mean that gradually more useful performance information would be produced in their organizations. Benchmarking could supplement planning and control information and give a picture of relative performance. In that sense, it could contribute to an organization's transparency about activities and performance.

Many interviewees, especially politicians, also indicated that the information from monitor research amongst citizens and other similar initiatives was very useful to them. They indicated that they also used this information for controlling their organizations. In their opinion, measurement of citizens' opinions on policy areas, initiatives, and local government activities yielded a reasonably 'objective' picture of citizens' appreciation of government activities and performances. This information could be helpful, in that the interviewees could gain an impression of the effectiveness of their organizations and they could use the information to increase accountability and transparency for citizens and other stakeholders.

Some interviewees observed that the need for politicians to focus on performance was probably intensified by the fact that they were more directly confronted with and criticized by citizens and the media. In this context, several interviewees remarked that they felt more uncertain after the strong rise of 'protest' and 'populist' parties around 2002 and the increase in political volatility among voters in the Netherlands.¹³ Several interviewees thought that in recent years, probably as a result of this uncertainty and volatility, their organizations had increasingly and seriously paid attention to their performances, improving performance information, and performance-based human resources management. Interviewee I observed:

I realize that more transparency and accountability, a striving for a more businesslike attitude and all these things are quite fashionable and that people may be somewhat cynical about them. ... [But] I am still inclined to think that these changes do have an impact. Some parts of our organization have, for example, definitely kept up a tradition of not being transparent ... There is now more pressure to resist this tendency of units to do just their own thing and keep quiet about financial or other problems.

To conclude, it seems that such activities as benchmarking and monitor research amongst citizens have yielded performance information that has gradually played a more important role in the control of local government organizations and their attempts to become more transparent to external stakeholders. In addition, several interviewees made clear that the introduction of output and outcome budgets has also helped to develop and encourage a more performance-oriented culture in their organizations. In the opinion of some interviewees, their organizations have gradually showed less tolerance of an

uncommitted attitude towards transparency, performance, and performance information. Some of the organizations have decided to link salary increases to performance evaluation; not only at higher, but also at lower levels in the organizations.

Most interviewees still perceive several problems with regard to performance measurement. However, the interviews do suggest that new and existing types of performance information are gradually becoming more important. Improvements and more positive views of this information have resulted in an increase in its use, which may have stimulated the rise of a more performance-oriented organizational culture. However, the reverse seems to be true as well, as the interviews also suggest that a more performance-oriented culture – enhanced by, for example, human resources management – has stimulated the use of performance information.

8. Analysis and discussion

This section analyses the interviewees' observations about the effects of accounting and management changes in Dutch local government organizations. The analysis will explore whether the change processes in these organizations can be understood with the help of concepts from institutional theory and Burns and Scapens' institutional framework for accounting change. If so, concepts and insights derived from these theories should be a basis for further research on accounting change in the local government sector, for example at the micro-organizational level.

Drawing on concepts from institutional theory and Burns and Scapens' framework, the various changes in accounting systems that were introduced in Dutch local government can probably be regarded as changes in 'rules' (Burns and Scapens, 2000). Some changes in the external institutional environment, such as budget cuts and an obligation to introduce accrual accounting and outcome budgets, could also be regarded as changes in rules. Such external changes have influenced various initiatives to introduce internal management changes in Dutch local government organizations, including new accounting systems. Although certain technical problems may arise when a new accounting system is being implemented, it seems to be relatively easy to promulgate a change in rules and to introduce them 'on paper'.

However, it remains to be seen whether participants in an organization will completely understand and abide by a change in rules, i.e. to what extent they will change their 'routines'. Several interviewees also indicated that new accounting systems and information were hardly used initially, or for a long time. According to institutional theory, the routines of an organization may continuously show signs of slight change as a result of daily experiences and developments, but they are 'rooted' in the organization's values and traditions. Generally speaking, routines, i.e. habits and daily working methods, show a gradual and evolutionary development rather than sudden, major change (see also Nelson and Winter, 1982, pp. 130-131; March and Olson, 1983, pp. 287-289, 292; Horwitz, 1992, pp. 156-167; Covaleski et al., 1995, pp. 7, 23-28).

After a while, routines can become 'institutionalized', in that they become part of the 'institutions', i.e. 'settled ways of thinking', inside and outside an organization (see also Hopwood, 1990, pp. 11-15). Various factors can influence institutions, which, for their part, can influence routines. It seems that settled ways of thinking in the external environment of Dutch local government have changed since the 1970s and 1980s. For example, changes in values and expectations with respect to Dutch local government and

its performance probably signify changes in external institutions. Internal dissatisfaction with the slow and inflexible functioning of many large government organizations suggests that internal institutions may also have changed. Such changes in institutions could have stimulated changes of rules and routines. However, the external and internal changes in values usually occurred gradually and did not result in sudden, major changes in routines.

The stability of routines, their gradual change, and the influence of the history of organizations are also apparent from the interviews in local government organizations. New rules, i.e. accounting systems, were introduced, but they were not well understood, or they yielded information that was not considered to be useful. The interviewees indicated that the information from the new accounting systems was hardly used for controlling their organizations; this suggests that the participants continued to use the existing routines. It would probably not be correct to say that they deliberately resisted change, as there is nothing in the interviews to suggest such resistance (see also Siti-Nabiha and Scapens, 2005, pp. 54-56). However, politicians and civil servants still based their decisions and control largely on 'traditional' input and process-oriented information (cf. Scapens, 2006, p. 17). This traditional working method may have come from the culture and training of the older civil servants, who tend to focus on inputs and procedures. It may also have been used because the new accounting rules had not yet been brought into line with other rules and systems (such as the performance evaluation system).

However, the interviewees also indicated that they had observed some effects of the accounting and other management changes that might suggest that routines gradually changed over several years. These effects include an increase in the actual use of performance information, in service-orientedness, and 'thinking in terms of products and effects' (cf. Modell, 2004, pp. 43-48). The two last-mentioned developments could probably be regarded as changes that are in keeping with the ideas of NPM.

It seems that, in most of the local government organizations concerned, there were also signs of a gradual change in other rules, e.g. in quality and human resources management, and in internal institutions, i.e. organizational culture (see also Busco et al., 2002, pp. 46-49). That is, internally the importance of such aspects as high quality performances, keeping to agreements and client-orientedness was more emphasized and supported than in the past. This was also the attitude of young civil servants, who were brought up with 'NPM-like' values during their professional training, as some interviewees observed. Changes were not only induced by budget cuts and new rules, but also by external social and political factors, such as decreasing turnout rates in local elections, a more critical attitude towards government in the media and society, the rise of 'protest' and 'populist' parties, and increased political volatility (see Abrahamson, 1996, pp. 270-274). Due to the social/political factors, in particular, many participants in the organizations concerned felt the need not only to introduce new rules (such as output and outcome budgets), but also to make considerable changes to their routines (e.g. increase their focus on performances in controlling the organizations). Interviewee V, a professional manager, summed up the gradual change process in his organization as follows:

The change process has already taken a long time, but finally, after about fifteen years, you see that, little by little, our organization and many of the people working here are really starting to change.

The various effects of accounting changes that were observed by the interviewees can probably be regarded as evolutionary changes in routines and institutions. These

changes in routines and institutions may have induced further changes in rules, routines, and institutions. Changes in organizations and in institutions, rules, and routines can be regarded as being part of continuing and interactive processes which develop as a reaction to different stimuli and which in some periods accelerate and in other periods slow down (cf. Burns, 2000, pp. 587-592; Hodgson, 2004, 412-418, 451-452). Similarly, the change processes in Dutch local government organizations show signs of both stability, e.g. use of traditional working methods, and change, e.g. increase in performance-orientedness (Schein, 2002, pp. 35, 40-43).¹⁴ The information collected during the interviews suggests that the change processes in the Dutch local government sector will take quite some time, especially if the persons involved do not feel an urgent need for radical changes. The interviews also show that both external and internal institutions are very important to local government organizations, probably because of the 'public and open' character of the government sector and the need to attract support from citizens/voters. For these reasons, external institutions and influences could be more relevant to the management of government organizations than to that of private sector organizations.

Although social structures, i.e. institutions, may play a significant role in the introduction of accounting changes, it is also important not to underestimate the role of subgroups of people and of individuals, as well as their preferences, characteristics, positions, and backgrounds (see also Nelson and Winter, 1982, p. 377; Hodgson, 2004, pp. 441-446). Groups and individuals may be affected by rules, routines and institutions in slightly different ways. This paper outlines the results of the interviews in general terms, although obviously many different individual observations were made during the interviews. They seem to indicate, for example, that the politicians involved attached a slightly higher value to information from monitor research than the professional managers, probably because of their backgrounds. The interviews did not show any other notable differences between the groups of persons involved (financial/non-financial subgroups; politicians/professional managers), although longitudinal and in-depth case research or research on a larger 'sample' might yield different results.

To conclude, although the interviewees were critical of the effects of the various accounting changes, the research findings suggest that, seen over the long run, some effects – such as an increase in thinking in terms of products and attention for clients, transparency and performance – are probably in line with those of PMI/NPM. With respect to institutional theory and the Burns and Scapens framework, the conclusion could be that they seem to be of help to analyse and tentatively interpret the research findings. Such an institutionalist analysis draws the attention to interactive change processes and effects of accounting changes that gradually develop in the longer run. However, to more fully understand accounting change in local government organizations, the roles of individuals and groups, as well as the role of external institutions, probably deserve more attention than they seem to receive in the Burns and Scapens framework.

Apart from that, the observation that institutions play an important part in the introduction of accounting changes does not necessarily imply that politicians or managers who want to introduce such changes cannot influence their adoption at all. It would be interesting to examine the adoption and implementation process and relevant factors, especially because it is uncertain whether citizens/voters, politicians, professional managers, other civil servants, and other stakeholders are satisfied with the effects that have gradually become visible in recent years. After all, many of the intended effects of NPM-like accounting changes and other management changes have not been achieved. However, this paper does not focus on more practically-oriented frameworks for the

implementation of accounting change (see for that, e.g., Shields and Young, 1989; Lapsley and Pettigrew, 1996).

9. Summary and conclusion

The interviewees were critical of the accounting changes and other control changes that were introduced in their local government organizations. For example, they generally showed a low regard for the information in output and outcome budgets and related documents, and they hardly used these documents. In addition, some interviewees suggested that the opportunities offered by accrual accounting were not fully exploited. These results of the exploratory research in the field of Dutch local government organizations suggest that the accounting reforms and other management reforms were not wholly perceived as a success by these organizations. The interviews also suggest that the organizations involved did not realize the high ambitions defined in NPM/PMI with respect to the accounting changes that are considered more specifically in this paper – i.e. the introduction of accrual accounting, output and outcome budgets, and performance measurement (including benchmarking). In addition, the interviews indicate that changes were sometimes introduced because the organizations involved felt the need to mimic changes introduced elsewhere or the need for external legitimation. This might suggest that the local government organizations did not make a real effort to realize the ambitions of NPM.

However, when the information from the interviews is examined more carefully, it becomes clear that it can not be argued that the changes did not have any effect at all or that they were not liked at all. Despite their criticisms, the interviewees were of the opinion that, all in all, the various changes had had a slightly positive effect on the functioning of their organizations. They mentioned several concrete changes in working methods and also effects which, in their opinion, positively contributed to the functioning of their organizations. It is also clear, however, that a lot of the effects of the accounting changes became visible only gradually and that some effects were probably different from what had been intended.

The interviewees indicated that such factors as changes in citizens' expectations with respect to government, and trends and new fads played a part in the frequent introduction of management reforms since about 1985 (ter Bogt, 2007). In addition, they mentioned such factors as the introduction of new rules by central government and a fear of being considered a 'traditional' organization by the media and citizens (cf. Malmi, 1999, p. 667; Lapsley and Wright, 2004, pp. 371-372). However, a very important reason for introducing changes was the desire to increase efficiency and effectiveness. An increase was considered to be necessary for several reasons, including budget cuts, the more critical attitude of the media and citizens/voters, and the strong increase in political volatility among voters (Greenwood and Stewart, 1986, pp. 43-44). All this suggests that social, ceremonial, and economic factors played a part in the introduction of accounting changes and other management changes in Dutch local government (cf. research question). Similarly, economic, social, and political rationality all played a part in their introduction (see also Järvinen, 2006, pp. 43-44; ter Bogt, 2007).

The introduction of accrual accounting, output and outcome budgets, performance evaluation, and other NPM-like changes did not necessarily mean that organizational control would really be largely based on information that became available through such

techniques. Several interviewees thought that the changes did have positive effects on the organizations involved, however; they contributed to gradual changes in the routines and culture/institutions, which made the organizations slightly more 'businesslike', citizen and performance-oriented, and transparent (see research question). Accrual accounting, for example, made it easier to 'properly' calculate costs of government products and made various costs more transparent. In this way, it probably influenced the cost awareness of politicians and civil servants. The introduction of output and outcome budgets meant that outputs and outcomes were increasingly the focus of internal and external discussions in the organizations concerned. In addition, several civil servants started to think more in terms of results, clients, and the quality of services to be delivered. This may also have been due to the fact that human resources management was linked to individual performance.

The interviewees also mentioned some other effects that they welcomed. Because output and outcome budgets contain financial data as well as data on the 'content' of policy fields, non-financial employees and politicians had become more involved in the process of planning and control and in using these kinds of information (see Burns and Vaivio, 2001, p. 396). The interviewees suggested that the involvement of a greater number of people with different backgrounds would mean that the financial management and general control of their organizations had improved.

The aim of the research was to gain an overview of developments and issues at the sector level, so it did not focus on individual organizations. It seems that the focus and concepts of institutional theory and Burns and Scapens' framework can be helpful in explaining and understanding the developments observed by the interviewees. Accounting changes can be regarded as a change in the rules in the organizations involved. The research seems to indicate that the routines in the organizations have also changed, but at a slower pace than the rules, and perhaps with unexpected results. Institutions may have influenced the change of routines and some new routines may have become institutionalized; i.e. become part of the institutions (e.g. a more performance-oriented culture). The research findings suggest that social factors and structures influence the accounting change process in the local government organizations to a considerable extent. However, further research in a larger number of these organizations could focus on the roles of individuals and groups, and the roles of internal and external institutions, since they, too, might play an important part in change processes. The role of such factors may be underestimated in institutional theory.

The research suggests that the actual effects of accounting changes on decision-making and control are not quite so functional and direct as they should be according to the 'ideals' of the advocates of NPM (see also Hoggett, 1996, pp. 20-24). However, it seems that accounting changes do bring about some effects like the ones intended by these NPM advocates, although rather gradually, qualitatively, and implicitly. The interviewees indicated that the introduction of accounting changes should not be regarded as a pointless exercise. As was observed earlier, it could be difficult to achieve changes that, for example, result in the inclusion and use of mainly quantitative, high-quality information about performances and unit costs in planning and control documents and other documents, i.e. technical changes that are probably a prime aim of PMI/NPM. However, it seems that accounting changes do bring about some changes in organizational culture and individual behaviour that seem to be in keeping with the ideas of NPM, i.e. a greater focus on performance, external stakeholders, and a businesslike attitude (see also Budding, 2004, pp. 301-302). Many routines in local government organizations are probably relatively

stable. However, external and internal changes in values and expectations can induce not only various 'technical' changes in the accounting and other control systems of an organization, i.e. a change in its rules, but probably also gradual changes in its routines and institutions. These changes might, for their part, contribute to further internal and external changes in rules, routines, and institutions.

This paper indicates that an institutional perspective enables one to study change processes in organizations and to observe factors and developments that might not be noticed when a more functional and short-term perspective is chosen (cf. Modell, 2004). This institutional reassessment of NPM-like accounting changes in Dutch local government suggests that, although various intended effects were not achieved, the changes may have had effects which were liked by participants in the organizations involved and which contributed to the functioning and continuity of the organizations. More information on change processes and the concrete factors that influence these processes might also provide insights which are actually relevant to the management of organizations.

The findings in this paper, which are based on information from a limited number of persons and organizations, cannot give a 'representative' overview of the field. Neither do they give a clear picture of the developments in an individual organization, as they are not based on in-depth case research in organizations. The interviewees were only asked to look back from one moment in time and give their perceptions of change processes and their effects. This might mean that not all factors that actually played a part in the change processes and not all relevant effects were recollected and mentioned (see also Malmi, 1999, p. 668). However, it seems that the research findings do suggest that an institutional approach could be helpful in a study of accounting change processes in government organizations. After this exploratory overview, it could be worthwhile to conduct further survey or in-depth case research in the government sector, using an institutional perspective. Further research should probably be longitudinal so that problems with accounting change processes in government organizations, and factors that play a part, can be examined in more detail and over a longer period of time.

Appendix A: Municipalities/provinces of the interviewees, their population size at January 1, 2004*) and their number of civil servants)**

<i>municipality</i>	<i>population size</i>	<i>number of civil servants</i>
Assen	62.000	700
Den Haag	469.000	8.500
Eindhoven	208.000	2.100
Groningen	179.000	2.600
Hengelo	81.000	850
Hoogezand-Sappemeer	34.000	350
Leeuwarden	91.000	1.050
Nijmegen	157.000	2.000
Rotterdam	599.000	19.000
Smallingerland	54.000	400
Utrecht	270.000	4.000
Zwolle	111.000	1.130

<i>province</i>	<i>population size</i>	<i>number of civil servants</i>
Fryslân	642.000	900
Groningen	574.000	800

* Source: www.cbs.nl/nl/cijfers/kerncijfers/nederland-regionaal.htm

** Source: interviewees in the organizations involved

Appendix B: Interviewees and their position (politician / professional manager; financial / non-financial sphere of activity)

financial sphere of activity

<i>name</i>	<i>position</i>
E. Bos	professional manager, municipality of Smallingerland
M.A.E. Calon	member of the Executive, province of Groningen
C.T. Dekker	member of the Executive, municipality of Groningen
T. Jellema	professional manager, province of Fryslân
J. Huisman	professional manager, province of Groningen
M. Mittendorff	member of the Executive, municipality of Eindhoven
R.E. Stäbler	member of the Executive, municipality of Hoogezand-Sappemeer
B. Trouwborst	professional manager, municipality of Utrecht
A.M.M.M. Verbakel	professional manager, municipality of Eindhoven
T. Vlieger	professional manager, municipality of Assen
H.M.Y. Wassink	professional manager, municipality of Groningen
J.H.C. van Zanen	member of the Executive, municipality of Utrecht

non-financial sphere of activity

<i>name</i>	<i>position</i>
L.M.M. Bolsius	member of the Executive, municipality of Rotterdam
C.H.J. Brugman	professional city manager, municipality of Leeuwarden
O. Dijkstra	professional city manager, municipality of Zwolle
H. de Haas	professional manager, municipality of Leeuwarden
D.M.F. Jongen	professional city manager, municipality of Den Haag
dr. R. Neij	professional manager, municipality of Den Haag
H.J. Nijhof	member of the Executive, municipality of Hengelo
G.J.M. van Rumund	member of the Executive, municipality of Nijmegen
W.R. Sluiter	member of the Executive, municipality of Leeuwarden
J. van der Weij	professional manager, province of Fryslân
G. van der Worp	professional manager, municipality of Hoogezand-Sappemeer

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Notes

¹ Within Dutch government the term performance is reserved mainly for activities, outputs and outcomes. In this paper, too, the concept of performance is not primarily associated with inputs, but with activities, outputs (goods or services), and outcomes, as well as related aspects, such as data on processes, quality and service, and unit costs of outputs.

² This change is a consequence of the dual system of government, which was introduced for municipalities in 2002 and for provinces in 2003. In municipalities, the responsibilities and powers of the municipal council are now more clearly separate from those of the Municipal Executive, i.e. the mayor and aldermen. Councillors are elected every four years by voters/citizens, whilst aldermen (often former councillors, although gradually more outsiders too) are elected by councillors. Provinces have a similar system.

Being a councillor is mostly a part-time activity (8-20 hours a week). In municipalities with over approx. 15,000 inhabitants and in all the provinces, being a member of the Executive is a full-time job. At 1 January 2006, the number of municipalities in the Netherlands was 458; the number of provinces was 12.

The introduction of the dual system has also resulted in various changes to planning and control. The municipal or provincial council is supposed to outline policies in outcome or programme budgets in a more explicit fashion than in the past, whereas the Municipal or Provincial Executive Committee is clearly responsible for policy execution. The council determines the outcome budget, which is a broad outline of programmes for certain policy fields, i.e. future activities, the resources involved and the outcomes to be achieved. In practice, the contents of outcome budgets are often extensively prepared by civil servants and the Executive Committee. The Executive exercises control by means of output budgets, which are more detailed, stating the products to be delivered and the resources that can be used. Outcome budgets and related documents, such as interim and annual reports, are supposed to describe clearly and in broad outline the municipal or provincial council's policy framework and programmes, which should enable the council to exercise overall control.

³ Under the Governments Accounts Act, local government organizations have some discretion to decide for themselves how exactly they want to interpret and apply centrally issued regulations. In practice, this means that the way the rules are applied varies from one municipality or province to another.

⁴ It seems that rationality in NPM is not necessarily the same as neoclassical unbounded rationality. NPM literature does assume that changes in organizations are motivated by a desire to increase economic efficiency and/or effectiveness, but generally it does not postulate that this will lead to a maximum level of efficiency and effectiveness. Instead, the changes may be motivated by a desire (of the top) of organizations to reach 'satisfying' levels of efficiency and/or effectiveness (Simon, 1955, pp. 103-106; 1959, pp. 262-264).

⁵ This is not to deny that the intentional actions of individuals may also have unanticipated consequences (Scapens, 1994, p. 309).

⁶ Social efficiency might be defined as the ratio between the amount of resources, including time and energy, which an organization invests in persons and groups within and outside the organization, and the (degree of) realization of the own plans and aims of the organization. These plans and aims may be those of one or two dominant groups within the organization (cf. Brignall and Modell, 2000). In a similar way, political efficiency could be defined as the amount of 'resources' that has to be invested in voters to obtain one vote in elections.

⁷ In a general sense, the Burns and Scapens' framework can help to observe and understand factors and processes that play a part when changes are introduced in organizations. It seems that the framework is not primarily intended to draw attention to all kinds of specific 'pitfalls' or variables that in practice might deserve attention to successfully implement accounting changes. For such purposes, other models to explain accounting change and change of organizations might be more helpful (see, for example, Shields and Young, 1989; Lapsley and Pettigrew, 1996; Kotter, 2000; ter Bogt and van Helden, 2000; Caccia and Steccolini, 2006).

⁸ At the beginning of 2006, the total number of municipalities in the Netherlands was 458. The municipalities where persons were interviewed ranged in size from 35,000 to 600,000 inhabitants. Smaller municipalities were not included, because previous research findings indicated that these municipalities generally introduced fewer management reforms (Moret/A+O fonds, 1997). The Netherlands comprises 12 provinces. The two provinces where interviews took place, Friesland and Groningen, had about 640,000 and 570,000 inhabitants respectively.

⁹ In another paper, also based on the 23 interviews, the reasons for the management changes and the expectations about future changes are discussed extensively. Appendix A presents the persons interviewed, arranged in alphabetical order of their surnames. The interviewees were promised anonymity to encourage

them to speak candidly during the interviews, but they all explicitly agreed to being mentioned in a list of the persons interviewed (see also, although in Dutch: ter Bogt, 2005, p. 74). The 23 interviewees are referred to with the letters A to W inclusive, which correspond to the order in which they were interviewed.

¹⁰ In addition, some attention was paid to such criteria as size of municipality, geographical spread and political party (in the case of politicians). In total, 24 persons were asked to cooperate in the research. One of them refused because he was too busy at that time due to an amalgamation of certain municipalities.

¹¹ Most interviewees also expressed a certain concern about the various reforms in their organizations. Not only did they have doubts about the effects of the changes, but they were also quite critical of the number of changes and the way in which their organizations were prepared for the changes. Several interviewees said that the changes were not always well thought out and that they were introduced too quickly (see for more details: ter Bogt, 2005, 2007).

¹² Findings from monitor research and other surveys amongst citizens in several municipalities suggest that citizens are, on average, not very satisfied with government and politics in general (see also Becker and Dekker, 2005, p. 344). However, they are usually 'reasonably' satisfied with such concrete aspects as the quality of municipal services and the maintenance of their neighbourhood (see also ter Bogt, 2005, pp. 75-80).

¹³ The results of the 2006 municipal elections show a sharp decline in support to local 'protest' and 'populist' parties in many municipalities. Nevertheless, it seems that 'traditional' political stability has not yet been restored, as the traditional political parties still tend to feel rather uncertain internally (see also de Beus et al., 2006). The 2006 elections for the parliament also confirm the picture of a relatively large political volatility.

¹⁴ As this paper concentrates on accounting change, it does not discuss whether performance-orientedness and a more 'businesslike' culture could have consequences that are interesting from the point of view of public administration, such as consequences for the integrity of civil servants and for the amount of attention paid to certain groups of stakeholders.